

Message Text

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UNCLAS JAKARTA 10400

USODC FOR MEPD-PHILBRICK

E.O. 11652: N/A

TAGS: BAGB, ID

SUBJ: MAJOR PROJECG: PALM OIL MILLS, SUGAR MILLS

REF: JAKARTA 10116

WE HAVE LEARNED OF PLANS FOR SEVERAL PALMS OIL MILLS TO BE BUILT IN
NEXT TWO TO THREE YEARS ON GOVERNMENT PLANTATIONS (PTP'S) IN SUMATERA

.
MOST IMMEDIATE IS FOR PTP VI, WHICH MAY BE TENDERED LATER THIS YEAR.
OTHERS ARE PLANNED FOR PTP I AND III (ONE EACH) AND TWO FOR PTP II.
FINALLY, THE DEPARTMENT OF AGRICULTURE HAS JUST BEEN ASKED TO
STUDY THE FEASIBILITY OF ONE MILL TO SERVE AN AREA OF SMALLHOLDERS
IN JAMBI PROVINCE. A TURNKEY CONTRACT FOR THE CONSTRUCTION AND
SUPPLY OF ONE MILL ON PTP V WAS RECENTLY SIGNED WITH A MALAYSIAN/
BRITISH FIRM, SHARIKAT MALAYAN PLAN. WE HAVE ALREADY REPORTED
(REFTEL) PLANS FOR PRIVATE INVESTMENT IN CRUDE PALM OIL FRACTIONATING
AND REFINING.

2. THE MILL FOR PTP V IS DESIGNED TO PROCESS 30 TONS OF FRUIT PER
HOUR AND IS ESTIMATED TO COST 6,050 MILLION RUPIAH OR ABOUT 14.6
MILLION DOLLARS. OTHER MILLS ARE EXPECTED TO BE OF APPROXIMATELY
THE SAME SIZE.

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3. WE BELIEVE THAT OPPOTUNITY EXISTS FOR U.S. ENGINEERS/SUPPLIERS TO COMPETE FOR THESE MILLS. HOWEVER, AS IN SUGAR CASE, U.S. FIRMS WILL FACE ENTRENCHED EUROPEAN COMPETITION IN FIELD WHERE WE LACK REPUTATION (AND PERHAPS EVEN EXPERIENCE.) ALSO,SINCE INDONE- SIANS PREFERTURNKEY CONTRACTS, CONSORTIA APPROACH MAY AGAIN BE NECESSARY. ON THE OTHER HAND, PRELIMINARY INFORMATION INDICATES THAT SUMATERA PTP'S, WHICH GROW LUCRATIVE EXPORT CASH CROPS, HAVE TRADI- TIONALLY BEEN MORE INDEPENDENT THAN THE RIGIDLY CONTRAOLLED SUGAR- GROWING PTP'S ON JAVA. THUS SUMATERAN PTP INVESTMENTS MAY BE FREER FROM THE COMPLICATED JAKARTA DECISION-MAKING PROCESS.

4. U.S. FIRMS ENTERING THIS COMPETITION WILL PROBABLY HAVE TO TAKE LONG-TERM APPROACH, BIDDING ON SEVERAL PROJECTS, IN ORDER BECOME KNOWN LOCALLY AND LEARN ABOUT INDONESIA, BEFORE WINNING CONTRACT HERE

THEREFORE, AFTER FURTHER INVESTIGATION, WE PLAN PROPOSE USDOC/EMBASSY CAMPAGIN APPROACH TO ASSIST FIRMS ATTEMPTING BREAK INTO THIS MARKET.

5. HOWEVER, FIRST WE WOULD LIKE TO KNOW IF, INDEED, US. HAS TECHNI- CAL KNOW-HOW TO DESIGN PALM OIL PLANTS AND WHICH PORTIONS OF MACHINER Y/

EQUIPMENT ARE MANUFACTURED BY U.S. FIRMS. WOULD APPRECIATE MEPD DETERMINING AND INFORMING US WHAT ENGINEERING/MANUFACTURING FIRMS HAVE REQUISITE CAPABILITIES AND WHICH OF THESE FIRMS HAVE ACTUAL EXPERIENCE AND ESTABLISHED REPUTATION IN PLAM OIL. FYI: LANG ENGINEERING OF CORAL GABLES, FLA. AND POSSIBLY ARKEL OF BATON ROUGE, LA. INFORMED US DURING VISITS HERE ON SUGAR TENDERS THAT THEY DO HAVE TECHNICAL CAPACITY. END FYI. MEPD MAY WISH TO PASS ON INFORMATION PARAS. 1 AND 2 TO QUALIFIED FIRMY.

6. IN VISIT TO RACHMAT SUBIAPRADJA, SPECIAL TECHNICAL ASSISTANT TO THE MINISTER OF AGRICUTLTURE, ABOUT PALM OIL MILLS, EMBOFF ALSO ASKED STATUS OF SUGAR MILL TENDERS. RACHMAT REPORTED THAT PRO- BABLY ONLY 4 OR 5 OF THE MILLS WOULD BE BUILT NOW. HE CONFIRMED THAT THE GERMANS HAD BEEN INVITED BACK INTO THE NEGOTIATIONS ON INSTRUCTIONS FROM THE "HIGHEST LEVEL". HE ADDED THAT GERMAN FIRMS HAD A GOOD TECHNICAL RATING AND LOW PRICE ON TWO OF THE MILLS IN PARTICULAR. HE THOUGHTTHAT THE SUGAR TENDER AWARDS MIGHT BE MADE IN SEPTEMBER.

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